

Environmental Assessment (Draft)

November 17, 2004

Proposed Action: Minerals Management Service to Grant Suspension of Production for Nuevo Energy Company's Bonito Unit (Leases OCS-P 0443, 0445, 0446, 0449, 0499, and 0500)¹

Operator: Nuevo Energy Company²
Area: Southern Santa Maria Basin,
Offshore Santa Barbara County, California

Responsible Agency: Minerals Management Service
Pacific OCS Region
Office of Environmental Evaluation

Abstract: The MMS proposed action is to grant a Suspension of Production for Nuevo Energy Company's (Nuevo) Bonito Unit for a period of 18 months¹. A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct leaseholding operations [Suspension of Operations (SOO)]." An SOO or SOP provides an extension of a lease in certain circumstances (see 30 CFR §250.172-175). In this case, the suspension would allow Nuevo 18 months to revise the Point Arguello Development and Production Plan (DPP) for Platform Hidalgo and the Point Pedernales DPP for Platform Irene and submit these to MMS for subsequent technical and environmental review. MMS would approve, require modification, or disapprove the plans. All of these administrative activities would be completed by Nuevo and/or their consultant(s) in an office setting and involve no physical activities on the unit itself. Since there are no impact-producing agents associated with Nuevo's proposal, there would be no environmental impacts.

How to Comment: MMS requests that you submit your comments electronically via *Public Connect*, MMS's on-line commenting system. If you do not have access to the internet, you may submit comments by mail. MMS no longer accepts comments by email.

Comments To Be Received By: December 16, 2004

Comment On *Public Connect* At: <http://ocsconnect.mms.gov>

By Mail: Minerals Management Service
Attn: Suspension—EA Comments
Office of Environmental Evaluation
770 Paseo Camarillo
Camarillo, CA 93010-6064

For further information, contact: Maurice Hill, Environmental Coordinator, Minerals Management Service, 770 Paseo Camarillo, Camarillo, CA 93010; (805) 389-7815

¹ Lease OCS-P 0450 is not being considered for a suspension as it is a producing lease within the Point Arguello Unit; only a portion of the lease is contained in the Bonito Unit.

² Effective November 8, 2004, operatorship for this unit was transferred from Nuevo Energy Company to Plains Exploration and Production Company (PXP).

D R A F T

Environmental Assessment (Draft)

Nuevo Energy Company

Bonito Unit

Leases OCS-P 0443, 0445, 0446, 0449, 0499, and 0500³

1 Introduction

On June 20, 2001, the U.S. District Court for the Northern District of California (hereinafter referred to as the Court) issued a ruling in *California v. Norton* (No. C 99-4964 CW, Northern District of California) ordering the Minerals Management Service (MMS) to provide a reasoned explanation for its reliance on the categorical exclusion and the inapplicability of the extraordinary circumstances exceptions in granting certain suspensions⁴. MMS has decided to forego reliance on the categorical exclusion for the suspensions in this case in favor of preparing Environmental Assessments (EA's). On February 26, 2004, the Court ordered the Federal Defendants to propose a timetable for completing their analyses of applications for suspensions filed by the operators for nine units and one non-unitized lease offshore southern California, and for submitting consistency determinations to the State of California under the Coastal Zone Management Act (CZMA). On June 28, 2004, the Court adopted the proposed timeline which included the time for the MMS to prepare six EA's to analyze the environmental impacts of granting the suspensions.

This EA covers the Bonito Unit operated by Nuevo Energy Company (hereinafter referred to as Nuevo). The Unit is located in the southern Santa Maria Basin, offshore Santa Barbara County (Figure 1-1) and it is described in the background section, below.

1.1 Need for the Proposed Action

MMS's Need: Pursuant to the Outer Continental Shelf Lands Act (OCSLA), as amended, the MMS is required to balance expeditious and orderly mineral resource development with the protection of the human, marine, and coastal environment. If MMS grants a Suspension of Production (SOP) for Nuevo's Bonito Unit, it would allow the company time to update and submit revisions to the Development and Production Plans (DPP's) for Platform Hidalgo and the Point Pedernales DPP for Platform Irene and submit this information to MMS. Pursuant to 30 CFR §250.204, MMS would conduct a technical review, comply with the National Environmental Policy Act (NEPA), and approve, require modification, or disapprove the DPP revisions.

Nuevo's Need: Nuevo needs MMS to grant a suspension for the Bonito Unit to allow time to conduct administrative activities to update and submit revisions to the DPP for Platform Hidalgo and the DPP for Platform Irene to MMS. This action would allow Nuevo's revisions to the

³ Lease OCS-P 0450 is not being considered for a suspension as it is a producing lease within the Point Arguello Unit; only a portion of the lease is contained in the Bonito Unit.

⁴ A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct leaseholding operations [Suspension of Operations (SOO)]." An SOO or SOP provides an extension of a lease in certain circumstances (see 30 CFR §250.172-175).

DRAFT

DPP's undergo an MMS technical and environmental review and decision process during the suspension period.

The proposed action meets both MMS's and Nuevo's needs in this case.

Nuevo's goal beyond the suspension period is to develop and produce from the Bonito Unit. DPP revisions approved by MMS, with review from appropriate Federal, State and local agencies, are needed before extended-reach drilling can occur from Platforms Irene and Hidalgo into the Bonito Unit. These platforms are located in the adjacent Point Arguello and Point Pedernales Units.

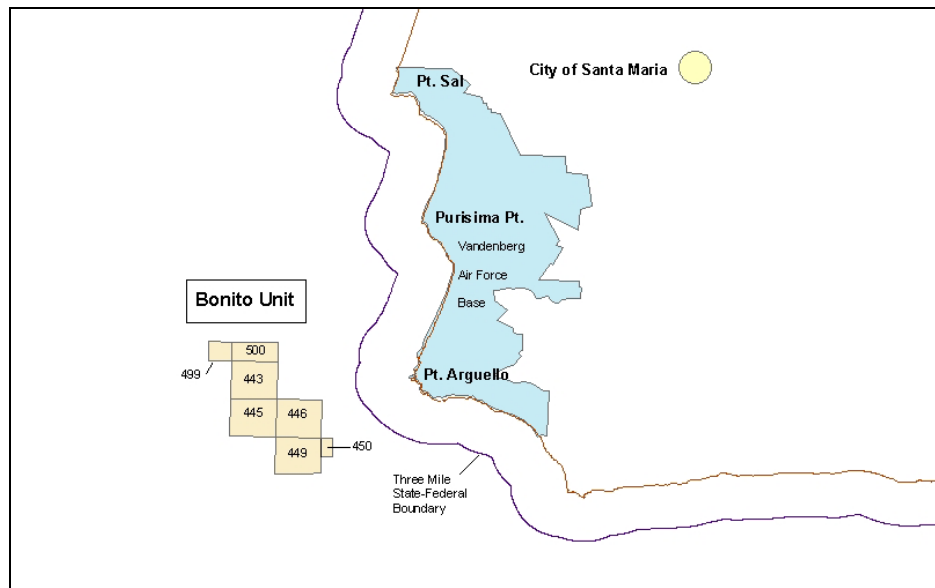


Figure 1-1. Nuevo's Bonito Unit³.

1.2 Background

The Bonito Unit is comprised of seven leases, OCS-P 0443, 0445, 0446, 0449, 0450, 0499, and 0500, in the southern Santa Maria Basin (Figure 1-1). It should be noted that Lease OCS-P 0450 is not being considered for a suspension as it is a producing lease within the Point Arguello Unit; only a portion of the lease is contained in the Bonito Unit. The leases were issued in Lease Sales 53 and RS2. Six wells were drilled on three leases and MMS issued three Producibility Determinations. In 1986, the leases were unitized as the Bonito Unit. The unit was held through November 1999, by virtue of a series of suspensions issued for a variety of reasons (e.g., reinterpretation of seismic data, permitting activities, etc.). A lengthy suspension ending in 1999 was directed by MMS for the development and completion of a multi-interest study (MMS, 1999) on the onshore consequences of offshore oil and gas development.

On May 11, 1999, Nuevo submitted to MMS a request for an SOP for the Bonito Unit. The MMS granted a suspension on November 12, 1999. The November 1999 suspension decision was set aside as a result of the ruling by the Court in *California v. Norton* on June 20, 2001. As ordered by the Court, the MMS issued a directed SOO for the Bonito Unit. MMS stated that the directed SOO would terminate when the MMS acted on Nuevo's suspension request of May 11, 1999.

In July 2001, MMS offered Nuevo an opportunity to update its May 1999 suspension request, which Nuevo submitted on August 3, 2001. On March 10, 2004, in accordance with the Court Order, MMS required Nuevo to submit updated information related to its suspension request. On April 20, 2004, Nuevo submitted an updated suspension request. On July 27, 2004, Nuevo

D R A F T

modified its suspension request to exclude pre-drilling surveys from the activities to be conducted during the suspension period. On October 8, 2004, Nuevo further modified its request, stating that DPP revisions would be pursued during a suspension time period of 18 months.

2 Description of Alternatives Including the Proposed Action and Need for the Proposed Action

The following sections include a discussion of the proposed action and alternatives.

2.1 Alternative 1: Proposed Action—Grant Suspension

The MMS proposed action is to grant an SOP for 18 months to Nuevo for the Bonito Unit. Assuming an MMS decision on the SOP in July 2005, the SOP would extend through January 2007; the ending date would change proportionately if a decision is made before or after July 2005. Granting the suspension would allow Nuevo time to prepare and submit revisions to the DPP for Platform Hidalgo and the DPP for Platform Irene to MMS. No physical activities on the unit would occur during the suspension period.

2.1.1 Nuevo's Suspension Request

In the current updated SOP request, dated April 20, 2004, and modified on July 27 and October 8, 2004, Nuevo requested a time period of 18 months to prepare and submit DPP revisions to MMS. The July 27 modification eliminated the pre-drilling surveys, which were to have been conducted to collect data needed for an EP involving use of a mobile offshore drilling unit (MODU). The October 8 modification stated that instead of an EP, revisions to existing DPP's would be prepared. Revisions would be made to the DPP for Platform Hidalgo and to the DPP for Platform Irene. Nuevo no longer plans to utilize a MODU, but plans to develop the unit from these existing platforms. Therefore, the only activity for Nuevo's suspension request is preparation of the DPP revisions. This activity would be completed by Nuevo and/or their consultant(s) in an office setting and involve no physical activities on the offshore unit itself. The Nuevo SOP request includes a reference to "begin EP Operations". However, on November 1, 2004, MMS notified Nuevo that should MMS grant a suspension, the suspension period will not include any drilling operations (Appendix). Pursuant to 30 CFR 250.180, drilling is an activity that will hold the unit, and therefore, if drilling activity is occurring, a suspension is not needed. Of course, any such drilling can only occur pursuant to an approved plan and permit to drill, as provided in the regulations.

2.2 Alternative 2: Deny Suspension

Under the Deny Suspension alternative, MMS would deny Nuevo's SOP for Bonito Unit in the southern Santa Maria Basin. Adoption of this alternative would result in the expiration of the leases in the Bonito Unit (other than Lease OCS-P 0450, which is producing in the Point Arguello Unit). The need for the proposed action would not be achieved. However, this alternative is available only if the applicant fails to meet established requirements (30 CFR §250.172-175) for obtaining a lease extension.

2.3 Alternative 3: No Action

Under the No Action alternative, MMS would take no action on the SOP application for Nuevo's Bonito Unit in the southern Santa Maria Basin. Such action would be inconsistent with the Court Order in *California v. Norton* to implement a plan to prepare a Consistency Determination in contemplation of adjudicating the suspension requests. Therefore, the need for the proposed action would not be achieved.

3 Scope of Environmental Analysis and Consultation and Coordination

D R A F T

3.1 Scope of Environmental Analysis

MMS determined that the temporal scope of the environmental analysis of the proposed action would encompass the 18-month time period during which Nuevo would conduct certain administrative activities leading to the submission of revised DPP's to the MMS, pursuant to 30 CFR §250.204, for subsequent technical and environmental review and decision by the MMS during the suspension period. These activities are described above in Section 2.1.1. All of these activities would be completed by Nuevo and/or their consultant(s) in an office setting and involve no physical activities on the unit itself. The SOP does not involve any impact-producing activities.

The OCSLA, as amended, provides a four-phased approach to accessing potential oil and gas operations on the Federal OCS: 1) program development, 2) lease sale, 3) exploration, and 4) development and production. At each phase, a NEPA document is prepared in accordance with NEPA, Council of Environmental Quality (CEQ) regulations, MMS regulations, and MMS NEPA compliance procedures. Subsequent to agency and public review and comment, the MMS must approve each phase before that activity may occur.

For the Bonito Unit, the suspension decision falls between steps 3 (exploration) and 4 (development and production); previously, Nuevo received MMS approval and State CZMA consistency for EP's, drilled a number of exploratory wells, and received a Producibility Determination from MMS. Revisions to the DPP's for Platform Irene and Platform Hidalgo to develop the Bonito Unit would be reviewed under 30 CFR §250.204 by the MMS during the suspension period.

Development activity occurs after the suspension period and could only occur if the DPP's were submitted by the operator, MMS conducts a review of the DPP revisions under 30 CFR §250.204, and MMS approves the DPP revisions. Both processes require NEPA review. Reviews would also be conducted, as needed, by the State of California, the California Coastal Commission (CCC), Santa Barbara Air Pollution Control District, Santa Barbara County Energy Division, NOAA Fisheries, Channel Islands National Marine Sanctuary, Channel Islands National Park, U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, and U. S. Environmental Protection Agency.

3.2 Scoping Process

As part of the NEPA review process, MMS involved the public and various private and government agencies in the determining of the scope of the EA's for the suspension decisions. On July 21, 2004, MMS sent a public announcement (Appendix) concerning scoping for the EA's to 260 entities who previously expressed interest in the undeveloped leases. The mailing list included elected officials, Federal, State and local agencies, public interest groups and individuals. MMS also published the announcement at <http://www.mms.gov/omm/pacific/index.htm> and phoned key public agencies. The public scoping period ended on August 26, 2004 (which provided about 36 days for comment). A total of 129 public scoping comments were received. The process also involved a review of past comments received on the undeveloped leases, including the CCC's August 5, 1999 concern that "changed circumstances and new information should be considered in evaluating environmental impacts..."

A number of issues were raised by Federal, State, and local agencies and the public with respect to the scope of analysis for the suspension decisions. Primarily, the comments focused on:

- Environmental impacts associated with exploration and development activities that would occur after the suspension period ends;

DRAFT

- Reasonably foreseeable and connected actions;
- Requests for MMS to prepare an Environmental Impact Statement to address the exploration and development activities;
- Requests that all the resources of the Channel Islands National Park be considered;
- Questions concerning the suspension process including diligence in developing the leases, the length of the suspensions, unitization, and whether the suspensions were undertaken according to MMS regulations and the Court decision of June 20, 2001; and,
- Changed circumstances and new information should be considered in evaluating environmental impacts.

Additionally, several comments were received expressing support for the exploration, development, and production of oil and natural gas resources offshore southern California.

After MMS's review of the suspension request and the scoping comments received, MMS prepared this EA to determine if there would be any significant environmental impacts as a result of granting the SOP. Other activities, including potential development, was determined to be outside the scope of this analysis because these activities: 1) will not occur while the Unit is under suspension, and 2) require separate review and approval by MMS and other appropriate agencies before they may occur. Specifically, development activities cannot occur unless: 1) the operator submits a revised DPP(s) to MMS, 2) MMS completes technical and environmental reviews of the DPP(s); and, 3) MMS and other appropriate State and Federal agencies review these activities and approve them as necessary. As stated previously, the need for granting the suspension is to allow the operator time to prepare and submit the information needed by MMS and other agencies in order to conduct these reviews, and time for these reviews to occur.

3.3 Consultation and Coordination Process for Protected Species and Essential Fish Habitat

This section describes the consultation and coordination process that was conducted by MMS in preparing this EA. The process involved: (1) MMS initial coordination with Federal, State, and local agencies; and, (2) MMS Endangered Species Act and Essential Fish Habitat consultation with NOAA Fisheries and U.S. Fish and Wildlife Service (FWS).

Endangered Species Act and Marine Mammal Protection Act Consultation

The MMS conducted a telephone conversation on August 5, 2004, with Ms. Monica DeAngelis of NOAA Fisheries' Southwest Regional Office, Division of Protected Species to describe the proposed action and to convey its determination that the action is expected to have no effects on marine mammal and sea turtle species listed as endangered or threatened under the U.S. Endangered Species Act and that no marine mammals would be 'taken,' as defined by the Marine Mammal Protection Act. Since the proposed action is administrative, and does not involve any offshore activities, NOAA Fisheries concurred with the MMS conclusion.

Also on August 2, 2004, MMS contacted Mr. Greg Sanders at the U.S. Fish and Wildlife Service's Ventura Field Office (FWS) by telephone to describe the proposed action and to inform him of its determination that the action would not affect federally listed species under the purview of the Fish and Wildlife Service. Since the proposed action is administrative, and does not involve any offshore activities, FWS concurred with the MMS conclusion.

D R A F T

Essential Fish Habitat Consultation

On August 24, 2004, MMS contacted Mr. Bryant Chesney of NOAA Fisheries' Southwest Regional Office, Division of Habitat Conservation to describe the proposed action and to convey its determination that the action is expected to have no effects on species managed by the Pacific Fishery Management Council or on Essential Fish Habitat. Since the proposed action is administrative, and does not involve any offshore activities, NOAA Fisheries concurred with the MMS conclusion.

Federal Consistency

In compliance with CZMA §1456(c)(1) and its implementing regulations, and in compliance with the Court's Order of June 28, 2004, the MMS will provide the CCC with a Consistency Determination for the suspension decision for Nuevo's Bonito Unit by April 6, 2005. MMS has had ongoing discussions with Ms. Alison Dettmer and Mr. Mark Delaplaine of the CCC concerning the MMS suspension decisions.

4 Environmental Impacts of Alternative 1: Proposed Action—Grant Suspension

In the current updated SOP request, dated April 20, 2004, and modified on July 27 and October 8, 2004, Nuevo requested a time period of 18 months to prepare and submit DPP revisions to MMS. The July 27 modification eliminated the pre-drilling surveys, which were to have been conducted to collect data needed for an EP involving use of a mobile offshore drilling unit (MODU). The October 8, 2004, modification stated that instead of an EP, revisions to existing DPP's would be prepared. A MODU would not be used, and the Unit would be developed from existing platforms. Revisions would be made to the Point Arguello DPP for Platform Hidalgo and to the Point Pedernales DPP for Platform Irene. Therefore, the only activity for Nuevo's suspension request is preparation of the DPP revisions. This activity would be completed by Nuevo and/or their consultant(s) in an office setting and involve no physical activities on the offshore unit itself. Since there are no physical activities on the offshore unit itself from the granting of the SOP, there would be no environmental impacts. MMS would submit Nuevo's DPP revisions to a technical and environmental review and decision process during the suspension period. Drilling may only occur subsequent to the suspension period and if separate approval from MMS is received per the regulatory process governing DPP's (30 CFR §250.204).

Since there are no environmental impacts, there is no incremental impact of the proposed action when added to existing cumulative impacts.

5 Environmental Impacts of Alternative 2: Deny Suspension

Under the Deny Suspension alternative, MMS would deny the SOP for Nuevo's Bonito Unit only if the applicant fails to meet established requirements (30 CFR §250.172-175) for obtaining a lease extension. Adoption of this alternative would result in the expiration of the leases in Nuevo's Bonito Unit in the southern Santa Maria Basin. No environmental impacts would result from the denial of the suspension.

6 Environmental Impacts of Alternative 3: No Action

Under the No Action alternative, MMS would take no action on the SOP for Nuevo's Bonito Unit in the southern Santa Maria Basin. Such action would be inconsistent with the Court Order in *California v. Norton* to implement a plan to prepare Consistency Determinations in contemplation of adjudicating the suspension requests. Therefore, no environmental impacts would occur under this alternative.

D R A F T

7 List of Preparers (in alphabetical order)

Joan Barminski	Chief, Office of Reservoir Evaluation and Production
Nollie Gildow-Owens	Program Analyst, Office of the Regional Manager
Maurice Hill	Environmental Coordinator, Office of Environmental Evaluation
John Lane	Chief, Environmental Analysis Section, Office of Environmental Evaluation
Drew Mayerson	Geophysicist, Office of Reservoir Evaluation and Production
David Panzer	Oceanographer, Office of Environmental Evaluation
Fred Piltz	Senior Environmental Scientist, Office of Environmental Evaluation
Allan Shareghi	Geologist, Office of Reservoir Evaluation and Production
John Smith	Physical Scientist, Office of Environmental Evaluation

8 References

MMS, 1999. California Offshore Oil and Gas Energy Resources Study. Prepared by Dames and Moore, OCS Report MMS No. 99-0043.

APPENDIX

1. Nuevo Energy Company letter to MMS requesting suspension, dated April 20, 2004
2. MMS Public Announcement requesting scoping comments, dated July 21, 2004
3. Nuevo Energy Company letter to MMS clarifying that revisions to the Platform Irene and Platform Hidalgo DPP's will be submitted to MMS, dated October 8, 2004
4. MMS letter to Nuevo Energy Company clarifying suspension action, dated November 1, 2004

April 20, 2004

Peter Tweedt
Regional Manager
Minerals Management Service
Pacific Regional Office
770 Paseo Camarillo
Camarillo, CA 93010-6064



Dear Mr. Tweedt:

SUBJECT: BONITO UNIT
LEASES OCS P-0443, P-0445, P-0446, P-0449, P-0450, P-0499 AND P-0500
OFFSHORE SANTA MARIA BASIN
OFFSHORE CALIFORNIA
UPDATED REQUEST FOR PREVIOUSLY APPROVED SUSPENSION OF
PRODUCTION

INTRODUCTION

On November 12, 1999, the Minerals Management Service ("MMS") granted Nuevo Energy Company's ("Nuevo") May 11, 1999 suspension of production ("SOP") request for the Bonito Unit ("Bonito"). As of June 20, 2001, Nuevo had complied with all milestone activities set forth in MMS' approval letter that had arisen as of that date. However, on June 20, 2001, the federal district court for the Northern District of California held that, as a result of the 1990 amendments to the Coastal Zone Management Act ("CZMA"), MMS's grant of the November 1999 SOP was "subject to a consistency determination as a federal activity affecting the coastal zone" under CZMA § 307(c) (1), 16 U.S.C. § 1456(c) (1). *California v. Norton*, 150 F. Supp.2d 1046, 1053 (N.D. Cal. 2001) ("*Norton case*"), *aff'd*, 311 F.3d 1162 (9th Cir. 2002). Based on this ruling, Nuevo joined by other lessees filed a breach of contract action against the United States in the U.S. Court of Federal Claims, *Amber Resources Co. v. United States*, No. 02-30C (the "*Amber case*").

Pursuant to the requirements of the *Norton* case, MMS on July 2, 2001, set aside its approval of the November 1999 suspension and directed a suspension of operations ("SOO") for the unit until MMS "has acted on" the lessees' suspension request.

On February 26, 2004, the California court in the *Norton* case ordered MMS to obtain "updated lease suspension applications from the lessees." By letter dated March 10, 2004, MMS directed that "in accordance with the Court's order and the requirements of 30 C.F.R. 250.171,

you must submit to the regional Manager, MMS Pacific Regional Office, updated information relating to your suspension request...”

This letter provides the updated information that MMS has instructed Nuevo to submit. The information previously submitted in connection with the SOPs granted in November 1999, which had been found by MMS to meet all of the requirements of 30 C.F.R. 250.171, remain effective, except as modified in this letter.

Nuevo submits this information without waiving any of the rights of the Bonito lessees, and specifically without waiving their assertion that the application of the 1990 CZMA amendments to the Bonito and other undeveloped offshore California leases constituted a material breach of those leases as asserted in the *Amber* case.

The “going forward” activities described in this update are based on the previously approved milestones that the lessees were prevented from completing as a result of the July 2001 SOO. Because the Bonito lessees have been barred from conducting any operations on the leases since July 2001, they have no new substantive information to report regarding their progress toward those milestones or the prospectivity of the Bonito beyond that contained in the May 1999 SOP request that MMS had already granted, Nuevo’s additional information filings dated October 14, 1999, February 29, 2000, July 31, 2000 and September 1, 2000 and the quarterly progress reports that Nuevo submitted pursuant to the November 1999 SOP. All of these documents are incorporated herein by reference as though they are set out in full.

Pursuant to MMS’s direction, Nuevo has updated the time-frames for accomplishing the outstanding milestones, in order to reflect current estimates for certain work and necessary equipment and permits in light of the cessation of ongoing activity that was necessitated by the June 20, 2001, court Order and the July 2, 2001 MMS directed SOO.

Specifically, at the time of the July 2001 SOO, the Bonito lessees had two months remaining before the deadline for the submission of a revised Exploration Plan (“EP”) required by MMS’ November 12, 1999 SOP approval letter. As described further below, the lessees had submitted a shallow hazards program on March 31, 2001 to the MMS and were awaiting approval of that plan so they could participate with Aera Energy LLC and Samedan in the collection of data for the shallow hazards survey. The Bonito survey was to take place in June 2001 for the ROV work and in August/September for the air gun work.

In response to MMS’s direction, Nuevo estimates that it would take four months from the time that MMS re-approves the “updated” SOP request to retain a contractor and complete the shallow hazard survey for work on both the Bonito Unit as well as for the Aera Energy LLC and Samedan shallow hazard acquisitions. We have adjusted the previously approved work schedule accordingly. For example, the enclosed schedule provides that Nuevo would submit a revised EP six months after the SOP is re-approved--four months to complete the surveying plus the previously allotted two months to finalize the revised EP. As noted, this six month period is entirely due to the premature termination of ongoing work caused by the imposition of the SOO.

For purposes of responding to MMS, we have assumed an SOP effective date of January 2005. For other assumed SOP effective dates, factors such as weather, marine mammal migration, and fisheries interaction would perhaps affect the timing of the milestone activities and thus the duration of the SOP period. We have provided the attached Table 1 to illustrate the effect different SOP starting times have on the remaining milestones.

SUMMARY OF ACTIVITY SINCE NOVEMBER 1999:

Interpretation of Chevron 3D seismic survey:

On January 29, 2001, Nuevo geological and geophysical personnel meet with the MMS and present their interpretation of the 1989 Chevron 3D seismic survey using time/depth/velocity mapping.

Project Description:

On February 29, 2000, Nuevo submitted to MMS a project description for the Bonito Unit. In addition, Nuevo submitted the following supplemental reports in July of 2000:

- Oil Spill Response Plan
- Fisheries Plan
- Marine Wildlife Contingency Plan
- H2S Contingency Plan

Nuevo also provided the MMS with additional project description information as requested in its June 20, 2000 letter to Nuevo on September 1, 2000.

Bonito Unit Contraction:

Nuevo submitted a plan for contracting of the Bonito Unit to remove unleased acreage from the unit boundaries on September 26, 2000 and October 16, 2000. The MMS approved the unit contraction by letter dated October 25, 2000.

Offshore Rig Planning:

Under the November 1999 SOP, Nuevo was required to submit proof to MMS by November 2001 that a Request for Proposal ("RFP") for a Mobile Offshore Drilling Unit ("MODU") had been sent out to potential contractors. The operators of the undeveloped Pacific OCS units on which delineation drilling would require a single MODU formed the Offshore Rig Activation Committee ("ORA") to prepare such an RFP. As previously reported Nuevo was an active member of ORA and participated in 20 ORA meetings between December 1998 and June 2001. Significant planning, logistical, and coordination progress was made before the June 2001 SOO, including development of a draft formal agreement between the ORA participants and submission of bid requests to hire a third party "Schedule Administrator" capable of overseeing numerous ORA tasks. While Nuevo withdrew from the ORA Group in May 2001 to pursue alternative scenarios for drilling of a delineation well from an existing platform in a unit adjacent

to the Bonito Unit, Nuevo continued to follow the ORA Groups progress should it determine the need to re-join ORA and use a semi-submersible drillship for its delineation well drilling. These and other ORA matters would have to be reactivated, updated, and finalized during the SOP period prior to the time a drilling rig is contracted.

North Santa Barbara Co. Siting Study.

In 1998, the Santa Barbara County Energy Division undertook a study entitled "North Santa Barbara County Facility Siting Study". The study was conducted under a state grant with partial funding from Aera Energy LLC (\$22k), and the final completed study was published in April 2001.

GO FORWARD ACTIVITIES:

Pre-Drilling Surveys:

To prepare a revised EP as required under the November 1999 SOP, Nuevo would have to acquire shallow hazards data. Nuevo was on track to complete this work in June 2001. However, immediately prior to the commencement of the operations on the Bonito program, Nuevo learned that, as a result of the California court's decision, further surveying had to be suspended. Nuevo was thus forced to cease operations.

In order to complete this surveying, it would be necessary to rebid the work, negotiate a contract, consult with National Marine Fisheries Service concerning marine mammal protection, consult with the Joint Oil-Fisheries Liaison Office, resubmit a plan to MMS, and make final operational planning including the vessel mobilization. It is expected that these activities would take four months, if they commenced immediately after receiving the re-approved SOP.

Nuevo had determined suitable time windows to conduct the airgun surveying taking into consideration fishery interactions, marine mammal migration, and weather. Accordingly, the months available to conduct the surveying operations would be essentially the same as those that existed during the previous SOP period. The optimum month is October; however, as experienced in 2001, year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying over the Bonito Unit area earlier in the summer. The ability to survey earlier than October 1st cannot be determined until after the season opens (May 1st). Other months present potential conflicts with gray whale migration, various fisheries, and potentially severe winter weather that could interfere with or prevent altogether the vessel operations in the Santa Maria Basin. Table 1 (enclosed) provides a sliding calendar showing when the pre-drilling surveying could first occur as a function of SOP approval date.

Other than survey timing, Nuevo has not changed or adjusted its airgun survey plans from those provided to MMS on March 31, 2001.

Revised Exploration Plan:

As set forth in the May 1999 SOP request, Nuevo would revise its previously approved Exploration Plan proposing to drill one delineation well. The specific well location would be determined from reviewing the 3-D seismic interpretation and the shallow hazards survey. Results from the pre-drilling surveys discussed above would be included in the Exploration Plan.

Offshore Rig Activation:

When the SOP is issued, ORA would renew its efforts to develop an RFP for a MODU. The enclosed Plan of Operations provides that Nuevo would supply MMS with proof that a RFP has been sent to various contractors two months after Nuevo submits its revised EP and would spud a delineation well six (6) months later. This schedule mirrors that of the November 1999 SOP.

Proposed Delineation Drilling:

The previously approved SOP request provided that Nuevo would drill one or more delineation wells in the Bonito Unit during the SOP period. Nuevo has determined that it would drill one additional delineation well. Precise timing of the well depends on several events leading up to the spud date that are within MMS control, namely SOP approval date and Revised EP approval date. Therefore, we provide the enclosed Table 1 to illustrate when the well could spud as a function of prerequisite activities.

As always, the exact location of the well is finalized after acquiring and interpreting the planned pre-drilling surveys described above. Nuevo would intend to abandon the well once drilling and testing is concluded.

Alternative Plan for Development of the Bonito Unit:

As indicated in Nuevo's Second Quarter 2001 Quarterly update, Nuevo was discussing with Plains Exploration Company as the Operator of the Pt. Arguello Unit, the possibility of using Platform Hidalgo, located on lease OCS P-0450 as a location from which to drill a delineation well into either the Southern or the Central field. The purpose of drilling from the platform would allow Nuevo to do a long term production test of 9-12 months to determine the producibility of either of the fields. Nuevo was finalizing plans with Plains at the time of the June 20, 2001 court decision which halted further offshore operations. Nuevo in anticipation of the MMS performing the consistency review for the May 1999 SOP during the Third and Fourth quarters of 2001 continued negotiations with Plains until MMS announces its decision to appeal the Court's June 20, 2001 ruling. At that time, all further negotiations ceased.

Nuevo prefers the drilling of a well from Platform Hidalgo into the Bonito Unit. If the use of Platform Hidalgo is not available for the drilling of such a well, Nuevo would then propose to drill a well from Platform Irene into either the Northern or the Central fields on the Bonito Unit.

Nuevo believes that two (2) months after the SOO is lifted and the SOP is re-instated, that it will file an updated project description with the MMS describing the drilling of a well from Platform Hidalgo or from Platform Irene. Four (4) months after the SOP is re-instated, Nuevo will file for the revised Exploration Plan for the appropriate lease. Ten (10) months after the SOP is issued, Nuevo will be able to be conducting operations pursuant to the provisions of the revised EP.

Enclosed herein please find the following additional information:

- Plan of Operations (adjusted in the fashion explained above)
- Alternative Plan of Operations for drilling from Platform Hidalgo (as referenced above)
- Updated chronology contained in **Summary of Past Activities** for Bonito Unit and Leases
- Lease Ownership Report (Previously Submitted)

We had attached to our May 11, 1999 SOP request timelines regarding a Proposed Schedule of Activities, and Events Leading to Production. Consistent with the discussion in this letter and Table 1 hereto, all events listed on those timelines that have not yet occurred would have to be shifted five years into the future.

Very truly yours,



Phillip E. Sorbet
California Asset Manager

Attachments

Plan of Operations
Bonito Unit
Offshore Santa Maria Basin – Pacific OCS

Areas covered in this Common Plan of Operations are:

Bonito Unit (OCS Leases P-0443, P-0445, P-0446, P-0449, P-0450, P-0499 and P-0500).

All acreage is operated by Nuevo Energy Company

This Plan of Operations takes effect January 1, 2005, and expires August 1, 2006

Milestones

December 2005	Submit a revised Exploration Plan to drill a delineation well in the Bonito Unit
February 2006	Provide a copy of the Request for Proposal (RFP) for a Mobile Offshore Drilling Unit (MODU) and proof that the RFP has been sent to prospective offerers.
August 1, 2006	Commence Unit Operations by drilling in the Bonito Unit.

Alternative Plan of Operations
Bonito Unit
Offshore Santa Maria Basin, Pacific OCS

This Alternative Plan of Operations is presumed to take effect January 1, 2005 and expire on October 31, 2005.

February 2005	Submit a revised Project Description to drill a delineation well from an Adjacent platform into the Bonito Unit.
April 2005	Submit a Revised Exploration Plan for the appropriate lease into which the Delineation well will be drilled.
October 2005	Commence Unit operations as described in the revised Exploration Plan.

Table 1 – Bonito Unit
Suspension of Production – Starting Date vs. Milestone Dates
Drilling Delineation Well Using a Semi-Submersible Drillship

SOP Starting Date	Complete Shallow Hazard Surveying ^{1,2}	Submit Revised Exploration Plan ³	Provide Copy of RFP for MODU ⁴	Begin EP Operations ⁵
October 2004	October 2005	December 2005	February 2006	August 2006
November 2004	October 2005	December 2005	February 2006	August 2006
December 2004	October 2005	December 2005	February 2006	August 2006
January 2005	October 2005	December 2005	February 2006	August 2006
February 2005	October 2005	December 2005	February 2006	August 2006
March 2005	October 2005	December 2005	February 2006	August 2006
April 2005	October 2005	December 2005	February 2006	August 2006
May 2005	October 2005	December 2005	February 2006	August 2006
June 2005	October 2005	December 2005	February 2006	August 2006
July 2005	October 2006	December 2006	February 2007	August 2007
August 2005	October 2006	December 2006	February 2007	August 2007
September 2005	October 2006	December 2006	February 2007	August 2007
October 2005	October 2006	December 2006	February 2007	August 2007
November 2005	October 2006	December 2006	February 2007	August 2007
December 2005	October 2006	December 2006	February 2007	August 2007

¹ Four months are required after the effective date of the SOP to rebid & negotiate a contract for survey vessel, provide notices to affected parties, and mobilize the survey vessel.

² October is the optimum month to conduct shallow hazard surveying using an airgun. This timing will avoid: possible conflict with the gray whale migration (Nov. – May), commercial salmon season (May – September), and potentially rough seas common during winter weather.

³ Revised Exploration Plan (EP) will be submitted two months after completing shallow hazard surveys.

⁴ Request for Proposal (RFP) for Mobile Offshore Drilling Unit (MODU) will be submitted to prospective bidders two months after submitting revised Exploration Plan.

⁵ Operations that are approved under the Revised Exploration Plan will begin 6 Months after submitting the RFP.

Summary of Past Activities

Nuevo Energy Company (Nuevo) is the operator of the Bonito Unit located in the western portion of the Santa Barbara Channel. The Bonito Unit includes leases OCS P 0443, 0445, 0446, 0449, 0450, 0499, and 0500. The current lease statistic including lease ownership, operator, original lease holder Events that have occurred contemporaneously with or after the May 11, 1999 Suspension of Production Request are highlighted in the *"Italics"* print.

Considerable activities have been conducted on the Unit and associated leases since their original sale by the Minerals Management Service. A chronology of these events is provided below.

Chronology of Events

7/1/81	Leases for 0443, 0445, 0446, and 0450 become effective between lessor, the U.S. Department of the Interior, Minerals Management Service, Pacific OCS Region (or MMS), and lessees, Chevron U.S.A, Inc. (50% lease interest), and Phillips Petroleum Company (50% lease interest).
7/1/81	Lease for 0449 becomes effective between lessor MMS and lessee Getty Oil Company (100% lease interest).
7/81	Engineering Geophysical Report of leases 0443, 0445 and 0446 (also 0447 and 0448, which are not in the Bonito Unit) completed for Chevron by Fairfield Industries.
11/10/81	Exploration Plan and Environmental Report submitted by Chevron for lease 0443. Up to five test wells proposed. See Table 3 and Map 2 for proposed well details.
1/13/82	Exploration Plan and Environmental Report for lease 0450 received from Chevron by MMS. Five test wells proposed. See Table 3 and Map 2 for proposed well details.
2/19/82	Environmental Assessment (EA) and Finding of no Significant Impact (FONSI) completed by MMS for Chevron Exploration Plan, lease 0450.
3/3/82	EA/FONSI completed by MMS for Chevron Exploration Plan, lease 0443.
3/17/82	California Coastal Commission (CCC) issues California Coastal Management Plan (CCMP) consistency certification for Exploration Plans, leases 0443 and 0450, allowing federal OCS drilling permits for one test well in each lease.
4/19/82 to 6/13/82	Test well No. 1 for lease 0443 is drilled. See Table 4 and Map 3 for drilled well details.
7/21/82	Exploration Plan and Environmental Report received by MMS from Chevron for leases 0445 and 0446 (also 0447 and 0448).

	Three test wells proposed for 0445, three in 0446 as well. See Table 3 and Map 2 for proposed well details.
8/27/82	EA/FONSI completed by MMS for Chevron Exploration Plan, leases 0445-0448.
9/1/82	Leases for 0499 and 0500 become effective between lessor MMS and lessees Chevron (50% lease interest) and Phillips Petroleum (50% lease interest).
10/1/82	CCC issues CCMP consistency certification for Exploration Plan, leases 0445-48.
11/4/82	MMS receives Exploration Plan and Environmental Report for lease 0449 from Getty Oil Company. Five test wells proposed. See Table 3 and Map 2 for proposed well details.
12/9/82	Marine Biological Survey of leases 0446 and 0450 (also 0447, 0451 and 0452) completed for Chevron by Dames and Moore. Received by MMS 3/10/83.
12/23/82	EA/FONSI completed by MMS for Getty Oil Exploration Plan, lease 0449.
1/13/83 to 3/30/83	Test well No. 1 for lease 0446 is drilled. See Table 4 and Map 3 for drilled well details.
3/25/83	CCC issues CCMP consistency certification for Exploration Plan, lease 0449.
5/1/83 to 8/7/83	Test well No. 1 for lease 0449 is drilled. See Table 4 and Map 3 for drilled well details.
6/3/83 to 7/24/83	Test well No. 2 for lease 0446 is drilled. See Table 4 and Map 3 for drilled well details.
11/21/83 to 1/28/84	Test well No. 1 (proposed well No. 4) for lease 0450 is drilled. See Table 4 and Map 3 for drilled well details.
1/29/84 to 3/12/84	Test well No. 2 for lease 0443 is drilled. See Table 4 and Map 3 for drilled well details.
2/8/84	Shallow Drilling Hazards Survey of leases 0499 and 0500 prepared for Chevron by Nekton, Inc.
2/11/85	Exploration Plan and Environmental Report for leases 0499 and 0500 received by MMS from Chevron. Two test wells proposed in lease 0499, four test wells proposed in lease 0500. See Table 3 and Map 2 for proposed well details.
5/30/85	EA/FONSI completed by MMS for Chevron Exploration Plan, leases 0499 and 0500.
9/15/85 to 11/19/85	Test well No. 2 for lease 0449 is drilled. See Table 4 and Map 3 for drilled well details.
10/24/85	CCC issues CCMP consistency certification for Exploration Plan, leases 0499 and 0500. Three test wells allowed, and three wells were eliminated due to potential impacts to commercial fisheries.

12/17/85	MMS approves transfer of lease interest for 0449 from Getty Oil Company (previous 100% interest) to Texaco Producing, Inc. (50% lease interest) and Sun Exploration and Production (50% lease interest). Sun is designated lease operator.
5/2/86	Chevron and Phillips request of MMS unitization of leases 0443, 0445, 0446, 0499, 0500, and 0510, and also a three year suspension of operations.
6/26/86	Bonito Unit Agreement for leases 0443, 0445, 0446, 0449, 0450, 0499, 0500, and 0510 is reached between Chevron, Phillips Petroleum, Texaco Producing, Inc., Sun Exploration and Producing Company, and MMS. Chevron is designated as Unit Operator.
6/30/86	Bonito Unit Operating Agreement reached Chevron, Phillips Petroleum, Texaco Producing, Inc., Sun Exploration and Producing Company, and MMS. 3-D Seismic Survey is planned.
7/9/86	MMS approves transfer of Texaco's remaining 50% lease interest in 0449 to Sun Operating Limited Partnership (now 100% lease interest).
8/87 to 12/87	3D seismic survey conducted on and around Bonito Unit. See Table 1.
12/22/89	MMS decision letter grants Suspension of Production (SOP) to all Bonito Unit leases through 12/31/94.
2/15/91	MMS approves 100% lease interest transfer in 0449 from Sun to Union Oil Company.
1/1/93	MMS ordered Suspension of Operations (SOO) begins on undeveloped OCS leases, including the Bonito Unit (0443, 0445, 0446, 0449, 0450, 0449, and 0500) during preparation of the COOGER study. SOO extended several times, most recently to 6/30/99.
12/19/94	Agreement reached to transfer lease interest for 0443, 0445, 0446, 0499, and 0500 from Chevron (previously 50%) and Phillips (previously 50%) to Burdette A. Ogle (100%).
12/23/94	Agreement reached to transfer 40% of lease interest for 0443, 0445, 0446, 0499, and 0500 from Burdette A. Ogle to Torch Operating Company. Approved by MMS on 4/17/95.
8/8/95	MMS approves the following transfers of lease interest for 0443, 0445, 0446, 0499, and 0500: Torch 40% lease interest (unchanged), Poseidon Petroleum LLC 60% lease interest from Burdette A. Ogle.
1/96	Chevron resigns as Unit Operator of the Bonito Unit, is replaced by Torch Operating Company.
6/27/96	MMS approves the following transfers of lease interest for 0443, 0445, 0446, 0499, and 0500: Poseidon 60% lease interest

	(unchanged), Nuevo Energy Company 40% lease interest from Torch.
4/16/96	Nuevo acquires lease interest in 0449 from Union Oil.
6/30/97	<i>Santa Barbara County applies for grant to conduct the Northern Santa Barbara County Siting And Planning Analysis (North Coast Siting Study) from the Coastal Resources Grant Program. Partially paid for by Aera Energy LLC.</i>
7/28/97	MMS recognizes Nuevo as designated operator for leases 0443, 0445, 0446, and 0500.
7/28/97 – 1/26/00	<i>Nuevo participates in COOGER Study Steering Committee.</i>
8/10/97	MMS recognizes Nuevo as designated operator for leases 0446 and 0499.
1/1/98-10/00	<i>Santa Barbara commences the North Coast Siting Study Nuevo participates in the process and attends various hearings over the next three years.</i>
8/20/98-7/16/01	<i>Offshore Rig Activation Group (ORA) formed under Western States Petroleum Association auspices to co-ordinate use of a joint drilling rig for delineation well drilling between Nuevo, Aera, Samedan, Conoco and Poseidon, most of the offshore COOGER lease operators. Meetings are held monthly until June 2000.</i>
5/11/99	<i>Nuevo submits request to the MMS for a Suspension of Production prior to the June 30, 1999 expiration of the COOGER Directed SOO.</i>
6/2/99	<i>MMS initiates the Hard Substrate Process in conjunction with the California Coastal Commission, California Department of Fish and Game, California State Lands Commission, US Fish and Wildlife Service, National Marine Fisheries Service, Environmental Protection Agency and the local counties.</i>
6/25/99	<i>MMS issues a Directed Suspension of Operations (SOO) for the period of 7/1/99 to 8/16/99 to review the COOGER Operators suspension requests.</i>
8/13/99	<i>MMS issue an additional Directed Suspension of Operations for the period of 8/16/99 to 11/15/99 so the Operators can provide additional information and answer the "Seven Questions" of concern raised by the California Coastal Commission dealing with the proposed suspension requests.</i>
10/14/99	<i>Nuevo files with the MMS its response to the additional information requested in the MMS letter of 8/13/99 including the response to the Coastal Commissions "Seven Questions".</i>
11/12/99	<i>MMS issues Nuevo a Suspension of Production for the Bonito Unit until May 1, 2002. MMS establishes milestones that the lessee has to meet during this period.</i>

11/16/99	<i>State of California sues Secretary of Interior, Bruce Babbitt, Department of Interior, Minerals Management Service et.al. Over the granting of the November 12, 21999 SOPs</i>
12/10/99	<i>MMS advises Nuevo of the material it deems necessary to meet the first milestone of a Project Description, due in February 2000. MMS also advises Nuevo of additional material that Nuevo will need to submit in July 2000 for biological, archeological and hazards surveys and report, oil spill response plans, H2S contingency plans and impact on fisheries plans and mitigations.</i>
1/00	<i>Santa Barbara County issues Draft North Coast Siting Study for public review</i>
1/14/00	<i>Nuevo files Quarterly Report covering the period of November 12, 1999 to December 31, 1999 detailing activities engaged in during that period of the SOP.</i>
1/26/00	<i>MMS issues Final COOGER Report approximately seven years after its beginning.</i>
2/29/00	<i>Nuevo files Project description information with the MMS</i>
3/8/00	<i>MMS acknowledges receipt of Nuevo's project description and advises Nuevo that it has met the first milestone contained in the SOP.</i>
4/12/00	<i>Nuevo files First Quarter 2000 Progress Report with the MMS detailing the activities carried out during that period.</i>
5/31/00	<i>Santa Barbara County Planning Commission holds North Coast Siting Study hearing on public draft of the document.</i>
6/20/00	<i>Nuevo receives MMS letter requesting additional information based upon MMS review of February 29, 2000 Project Description. Additional Material is due August 21, 2000.</i>
7/7/00	<i>Nuevo files Second Quarter 2000 Progress Report with the MMS detailing the activities carried out during that period.</i>
7/31/00	<i>Nuevo files additional data requested by the MMS in letter of 12/10/99 with updated Oil Spill contingency Plan, H2S Contingency Plan, Marine Wildlife Contingency Plan and Fisheries Program.</i>
9/1/00	<i>Nuevo files additional material requested in MMS letter of June 20, 2000.</i>
9/26/00	<i>Nuevo files with the MMS Amended Exhibit "A" and Exhibit "B" to the Bonito Unit Agreement contracting the aerial extent of the unit to eliminate un-leased acreage tracts.</i>
10/13/00	<i>Nuevo files Third Quarter 2000 Progress Report with the MMS detailing the activities carried out during that period.</i>
10/16/00	<i>Nuevo files with the MMS Amended Exhibit "A" and "B" to the Bonito Unit Operating Agreement contracting the unit size to eliminate un-leased acreage.</i>

10/25/00	<i>MMS approves Bonito Unit contraction to the present size including lease OCS P-0443, P-0445, P-0446, P-0449, P-0499 and P-0500 and including portion of lease P-0450.</i>
11/30/00	<i>MMS holds industry workshop on Environmental Impact Statement (EIS) for the delineation drilling using a semi-submersible drillship as proposed by the operators. MMS outlines timeline for the EIS and its public release in 2001.</i>
1/10/01	<i>Nuevo files Fourth Quarter 2000 Progress Report with the MMS detailing the activities conducted during that period...</i>
1/29/01	<i>Nuevo's geological and geophysical staff working on the Bonito 3D Seismic interpretation meets with the MMS and present their interpretation of the 3D data using time/depth/velocity maps</i>
3/01	<i>Nuevo attends MMS Hard Substrate Process industry meeting.</i>
3/6/01	<i>Nuevo files a revision of its Project Description reducing the number of potential drilling locations to four (4).</i>
3/1/01	<i>ORA Group mails out RFP for a ORA Schedule Administrator to co-ordinate the search, acquisition and logistical support for all of the proposed delineation wells to be drilled under the current SOPs.</i>
3/15/01	<i>ORA Group holds a pre-bid meeting in Ventura for interested companies for the ORA Schedule Administrator position. Thirteen (13) companies send representatives to discuss timing and drilling plans.</i>
3/19/01	<i>Nuevo meets with Plains Resources, Operator of the Point Arguello Unit to determine if the drilling of an extended reach well from Pt. Arguello's Platform Hidalgo would be possible. Additional discussions were held.</i>
3/30/01	<i>Nuevo files with the MMS its Side Scan Sonar and Shallow Hazards Plan for possible drilling locations using a semi-submersible drillship.</i>
4/9/01	<i>Nuevo files First Quarter 2001 Progress Report with the MMS detailing activities conducted during that period.</i>
4/12/01	<i>Santa Barbara County issues Final North Coast Siting Study document dated October 2000.</i>
4/16/01	<i>ORA Group receives three bids from the companies that attend the 3/15/01 pre-bid meeting. Bids are radically different.</i>
4/30/01	<i>ORA Group re-bids to the two lowest bidders on a structured basis to compare costs.</i>
5/01	<i>Final draft of the ORA agreement between the operators is circulated for final comments.</i>
5/5/01	<i>ORA Group receives re-bids from the two remaining bidders and final Schedule Administrator is selected. Negotiations for contract commence.</i>

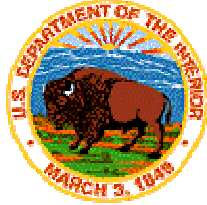
MMS 4/04 Update Chronology Activities

- 5/16/01** *Nuevo advises the other members of the ORA Group of its decision to withdraw from the group. Nuevo will maintain an inactive participation in the group depending on its ability to reach an agreement to drill Bonito Unit delineation well from Pt. Arguello's Platform Hidalgo or from Nuevo's Platform Irene.*
- 6/01** *MMS issues draft EIS for the proposed delineation wells to be drilled from a semi-submersible drillship*
- 6/6/01** *Nuevo request a proposal from Plains for the drilling of an extended reach well from Platform Hidalgo.*
- 6/20/01** *Court hands down decision in the State of California v. Norton case that MMS should have reviewed the proposed 1999 suspensions and determine if they were consistent with the California Coastal Management Program and why a NEPA environmental review was not necessary.*
- 7/2/01** *MMS issues a directed Suspension Of Operations for the Bonito Unit and leases while it complies with the Court decision of 6/20/01.*
- 7/2/01** *Nuevo files Second Quarter 2001 Progress Report with the MMS detailing activities conducted during that period.*
- 7/16/01** *MMS requests Nuevo to update the May 1999 SOP request*
- 8/3/01** *Nuevo responds to the MMS of July 16, 2001*
- 8/24/01** *Plains provides Nuevo with a proposal for possible use of Platform Hidalgo and Pt. Arguello facilities for Bonito delineation well drilling and testing.*
- 10/24/01** *Nuevo and its contractor begin update of Bonito Exploration Plans for future filing with the MMS. Project not completed due to MMS decision to appeal June 20, 2001 court decision.*
- 3/10/04** *MMS asks Nuevo to update Bonito Unit suspension request.*

Table 1
Current Lease Holders - Bonito Unit

Lease	Current Lease Holder(s)	Original Lease Holder, Effective Date	Royalty Rate	Cash Bonus
OCS P-0443	Poseidon 60% interest, Nuevo 40% interest	Chevron 50% interest, Phillips 50% interest, 7/1/82	Fixed sliding scale	\$10,736,200
OCS P-0445	Poseidon 60% interest, Nuevo 40% interest	Chevron 50% interest, Phillips 50% interest, 7/1/82	33 ¹ / ₃ %	\$13,278,800
OCS P-0446	Poseidon 60% interest, Nuevo 40% interest	Chevron 50% interest, Phillips 50% interest, 7/1/82	33 ¹ / ₃ %	\$31,181,600
OCS P-0449	Nuevo 100% interest	Getty Oil 100% interest, 7/1/81	33 ¹ / ₃ %	\$9,420,000
OCS P-0450 (See Note)	Chevron 50% interest, Phillips 50% interest	Chevron 50% interest, Phillips 50% interest, 7/1/82	16 ² / ₃ %	\$333,596,200
OCS P-0499	Poseidon 60% interest, Nuevo 40% interest	Chevron 50% interest, Phillips 50% interest, 9/1/82	Fixed sliding scale	\$153,205
OCS P-0500	Poseidon 60% interest, Nuevo 40% interest	Chevron 50% interest, Phillips 50% interest, 9/1/82	Fixed sliding scale	\$227,019

Note: Only a small portion of Lease OCS P- 0450 is located within the Bonito Unit. The larger portion of this lease is located within the Point Arguello Unit.



**U. S. Department of the Interior
Minerals Management Service**



PUBLIC ANNOUNCEMENT

**Request for Scoping Comments
For Preparation of Environmental Assessments
For Granting Lease Suspensions on 36 Undeveloped OCS Leases
July 21, 2004**

Agency Action

On February 26, 2004, the Court in *California v. Norton*, No. 99-4964 (CW) N.D. Cal. ordered the Federal Defendants to propose a timetable for completing their analyses of applications for lease suspensions filed by the operators of 36 undeveloped leases offshore California, and submitting consistency determinations to the State of California under the Coastal Zone Management Act (CZMA). On June 28, 2004, the Court adopted the proposed timeline which included the time to prepare six environmental assessments to analyze the environmental impacts of granting the lease suspension requests.

The MMS action is to grant, deny, or take no action on each of the operator's suspension requests. A suspension is defined in 30 CFR §250.105 as "a granted or directed deferral of the requirement to produce [Suspension of Production (SOP)] or to conduct lease holding operations [Suspension of Operations (SOO)]." A suspension provides an extension of a lease in certain circumstances (see 30 CFR 250.172-175). In certain instances, operators have proposed to conduct geohazards or other surveys to assist in the preparation of their revised Exploration Plans. These surveys will be addressed in the EAs that MMS is preparing and would be conducted after the suspension is granted. The granting of a suspension will not authorize any exploration or development and production operations.

Description of the Suspension Requests and Location of the 36 Undeveloped Leases

Refer to the table and maps on the following pages.

NEPA Process and Public Scoping

Under the National Environmental Policy Act (NEPA) (42 U.S.C. 4321 *et seq.*) an Environmental Assessment (EA) serves as an information document for government decision makers and the public. The purpose of an EA is to: help decision makers base their decision on an understanding of environmental consequences; identify ways that environmental effects can be mitigated or avoided; identify alternatives that would avoid or reduce effects to the environment by requiring changes in the proposal when feasible; and to disclose to the public the environmental information and analyses upon which Federal decisions will be based.

Scoping is the process used to help determine the appropriate content of an EA. Public input is an important part of the scoping process. The purpose of soliciting input is to properly identify as many relevant issues, alternatives, mitigation measures, and analytical tools as possible so they may be incorporated into the EA. The scoping comments assist in determining the breadth and depth of the analysis.

Based on the information received during the initial scoping effort and other information, such as the location of sensitive natural resources, time of year, projected oil and gas activity, alternatives to the proposal are identified that might reduce possible impacts. In addition, reasonable mitigation measures that could reduce or eliminate possible impacts are considered for analysis in the EA.

Detailed information concerning NEPA may be found at <http://ceq.eh.doe.gov/nepa/nepanet.htm>. Frequently asked questions about compliance with the National Environmental Policy Act (NEPA) are provided at <http://www.epa.gov/compliance/resources/faqs/nepa/index.html>.

MMS's Environmental Assessment (EA) Preparation Schedule

1. Public Scoping Comments Due: 8/26/2004
2. Draft EAs Available for Public Comment: 11/17/2004
3. Draft EAs' Public Comment Period Closes: 12/16/2004
4. MMS Finalizes EAs: 2/13/2005

Submittal of Scoping Comments

Comments may be sent to MMS by email or by mail and must be received by MMS no later than **August 26, 2004**. All comments should include the name and mailing address of the person commenting. It is the practice of MMS to make comments, including names and home addresses of respondents, part of the public record. Individual respondents may request that we withhold their home address and/or identity from the record. We will honor such requests to the extent allowable by law. If you wish for us to withhold your name and/or address, you must state this prominently at the beginning of your comments. We will not consider any anonymous comments.

All interested persons, organizations and agencies wishing to provide scoping comments on the proposed actions may do so by sending them in time to reach MMS by **August 26, 2004** to the appropriate address below:

By Email: Suspension-EA@mms.gov

By Mail: **Minerals Management Service**
 Attn: Suspension – EA Comments
 Office of Environmental Evaluation
 770 Paseo Camarillo
 Camarillo, CA 93010-6064

The Draft EAs will be available for public review starting **November 17, 2004**. Draft EAs will be mailed to government agencies and elected officials. A digital copy will be posted on the MMS, Pacific Region homepage (<http://www.mms.gov/omm/pacific/>). Members of the public, who are not able to access the Region's website, and want to receive the Draft EAs, need to submit a written request to MMS at the mailing address given above. Requests for copies of the Draft EAs should specify whether "paper" or "CD" copy is preferred.

FOR FURTHER INFORMATION: Questions concerning the Draft EAs should be directed to Mr. Maurice Hill, Office of Environmental Evaluation, Pacific OCS Region, Minerals Management Service, 770 Paseo Camarillo, Camarillo, California 93010-6064; phone 805.389.7815.

Questions concerning the operators' suspension requests should be directed to Ms. Joan Barminski, Office Reservoir Evaluation and Production, Pacific OCS Region, Minerals Management Service, 770 Paseo Camarillo, Camarillo, California 93010-6064; phone 805.389.7707.

Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
LEASE 409 – Not unitized. Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . No activities, during the suspension period, on Lease OCS-P 0409, would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
LION ROCK UNIT / LEASES OCS-P 0396, 0397, 0402, 0403, 0408, 0414 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . No activities, during the suspension period, on the Lion Rock Unit, would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
PURISIMA POINT UNIT / LEASES OCS-P 0426, 0427, 0432, 0435 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date that MMS grants the suspension ¹ . During the suspension period, Aera would conduct high resolution geophysical surveys to look for archaeological resources and geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. Aera would plan the surveys for the Fall of the year following approval of their suspension request ² . Aera is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Aera would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The archaeological remote sensing survey could involve the use of side scan sonar, sub-bottom profilers, magnetometer, and recording fathometer. The surveys for the Purisima Point and Pt. Sal Units would be done together. The estimated time to collect the shallow hazards and archaeological data will be approximately 13 days with good weather. Additionally, the ROV biological survey is estimated to take approximately 5 days with good weather. During the suspension period, Aera would submit revisions to their previously approved Exploration Plan for the leases in the Purisima Point Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Aera's offices.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit

¹ Aera provided a range of suspension lengths because the actual approval date for their request is unknown at this time and because preliminary activities on the Pt. Sal and Purisima Pt. Units require offshore surveys that need to be scheduled to avoid conflicts with marine mammal migration, fishing seasons, and rough weather. If MMS grants their suspension, it would not be for a range of dates; it would be for a finite length.

² Aera would plan the surveys for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.

Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
POINT SAL UNIT / LEASES OCS-P 0415, 0416, 0421, and 0422 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 20 to 31 months, depending on the date of approval ¹ . During the suspension period, Aera would conduct high resolution geophysical surveys to look for archaeological resources and geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. Aera would plan the surveys for the Fall of the year following approval of their suspension application ² . Aera is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Aera would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The archaeological remote sensing survey could involve the use of side scan sonar, sub-bottom profilers, magnetometer, and recording fathometer. The surveys for the Pt. Sal and Purisima Point Units would be done together. The estimated time to collect the shallow hazards and archaeological data will be approximately 13 days with good weather. Additionally, the estimated time for the ROV biological survey will be approximately 5 days with good weather. During the suspension period, Aera would submit revisions to their previously approved Exploration Plan for leases in the Point Sal Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Aera's offices.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
SANTA MARIA UNIT / LEASES OCS-P 0425, 0430, 0431, 0433, and 0434 Operator: AERA ENERGY LLC	Aera has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Aera has requested a suspension of 23 to 34 months, depending on the date of approval ¹ . No activities, during the suspension period, on the Santa Maria Unit would be conducted in the offshore area.	MMS will prepare a single Environmental Assessment to encompass lease OCS-P 0409, the Lion Rock Unit, the Purisima Point Unit, the Point Sal Unit, and the Santa Maria Unit
BONITO UNIT / LEASES OCS-P 0443, 0445, 0446, 0449, 0499 and 0500 Operator: NUEVO ENERGY CO.	Nuevo has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Nuevo has requested a suspension of 10 or 17 months ³ . Nuevo may propose to drill delineation wells from an existing platform in the Point Arguello Field. However, if Nuevo decides to conduct delineation drilling from a Mobile Offshore Drilling Unit, then they would be required to conduct high resolution geophysical surveys to look for geohazards on the Unit. A remotely controlled vehicle (ROV) would be used to conduct a biological survey. These surveys would occur during the suspension period. Nuevo is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Nuevo would use a multi-spectral suite of acoustic reflection profiling systems that may include a sub-bottom profiler, boomer system, and small air gun array. The estimated time to collect the data will be approximately 7 days with good weather. Additionally, the ROV biological survey is estimated to take about 5	MMS will prepare an Environmental Assessment for the Bonito Unit.

1 Aera provided a range of suspension lengths because the actual approval date for their request is unknown at this time and because preliminary activities on the Pt. Sal and Purisima Pt. Units require offshore surveys that need to be scheduled to avoid conflicts with marine mammal migration, fishing seasons, and rough weather. If MMS approves their suspension, it would not be for a range of dates; it would be for a finite length.

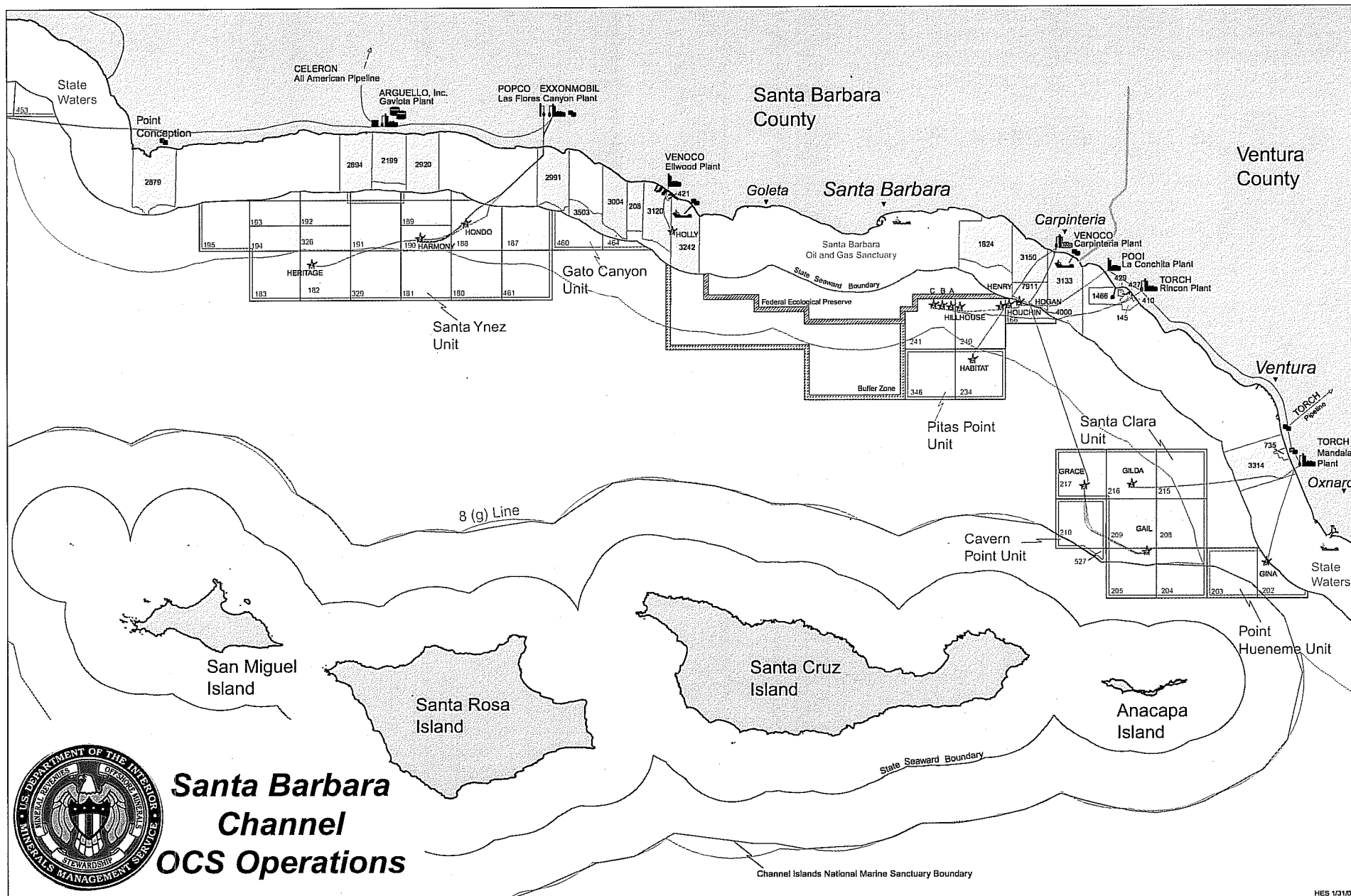
2 Aera would plan the surveys for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.

3 At the present time, Nuevo is undecided as to whether to bring in a Mobile Offshore Drilling Unit (MODU) to drill delineation wells after the suspension period ends, necessitating a 17 month suspension, or to proceed to development from the existing facilities at the Point Arguello Field, necessitating a 10 month suspension. Therefore, their proposed activities during the suspension period differ, depending upon the alternative eventually decided upon.

Table 1. Description of the Suspension Requests

UNIT/LEASE(S) AND OPERATOR	REQUESTED ACTION	LENGTH OF SUSPENSION REQUESTED AND ACTIVITIES PLANNED DURING THE SUSPENSION PERIOD	NEPA DOCUMENTATION
		<p>days with good weather. If Nuevo decides to drill from the existing facilities in the Point Arguello Field, then geophysical and biological surveys are not required.</p> <p>Nuevo would also submit revisions to their previously approved Exploration Plan. Preparation of revisions to the Exploration Plan for leases in this Unit is an administrative activity that would be completed at Nuevo's offices.</p>	
ROCKY POINT UNIT / LEASES OCS-P 0452 and 0453 Operator: ARGUELLO INC.	Arguello Inc. has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Arguello Inc. has requested a suspension of 30 months. During the suspension period, Arguello Inc. would submit revisions to their previously approved Development and Production Plan for the Point Arguello Unit. Preparation of revisions to the Development and Production Plan for this Unit is an administrative activity that would be completed at Arguello Inc's offices. No activities, during the suspension period, on the Rocky Point Unit, would be conducted in the offshore area.	MMS will prepare an Environmental Assessment for the Rocky Point Unit.
SWORD UNIT / LEASES OCS-P 0319, P 0320, P 0322, P 0323A Operator: SAMEDAN OIL CORP.	Samedan. has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Samedan has requested a suspension of 25 months. During the suspension period, Samedan would submit revisions to their previously approved Exploration Plan for the Sword Unit. Preparation of a revised Exploration Plan for this Unit is an administrative activity that would be completed at Samedan's offices. No activities, during the suspension period, on the Sword Unit, would be conducted in the offshore area.	MMS will prepare an Environmental Assessment for the Sword Unit.
GATO CANYON UNIT / LEASES OCS-P 0460 and 0464 Operator: SAMEDAN OIL CORP.	Samedan has requested a Suspension of Production pursuant to 30 CFR 250.171. A Suspension of Production is defined as a deferral of the requirement to produce (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Samedan has requested a suspension of 31 months. During the suspension period, Samedan would conduct high resolution geophysical surveys to look for geohazards on the Unit. Samedan would plan the surveys for the Fall of the year following approval of their suspension application ¹ . Samedan is required to submit geophysical information sufficient to provide continuous, overlapping sub-bottom imagery, with varying resolutions, from the seafloor to a depth of 300 to 450 meters. To acquire the data, Samedan would use a multi-spectral suite of acoustic reflection profiling systems, which may include a sub-bottom profiler, boomer system, and small air gun array. The estimated time to collect the data will be approximately 7 days with good weather. During the suspension period, Samedan would submit revisions to their previously approved Exploration Plan for the Gato Canyon Unit. Preparation of revisions to the Exploration Plan is an administrative activity that would be completed at Samedan's offices.	MMS will prepare an Environmental Assessment for the Gato Canyon Unit.
CAVERN POINT UNIT / LEASES OCS-P 0210 and 0527 Operator: VENOCO INC.	Venoco. has requested a Suspension of Operations pursuant to 30 CFR 250.171. A Suspension of Operations is defined as a deferral of the requirement to conduct leaseholding operations. (30 CFR 250.105). A suspension may extend the term of the lease and may be issued for a period of up to 5 years (30 CFR 250.170).	Venoco has requested a suspension of 13 months. During the suspension period, Venoco Inc. would submit an Exploration Plan for the Cavern Point Unit. Preparation of an Exploration Plan for this Unit is an administrative activity that would be completed at Venoco's offices. No activities, during the suspension period, on the Cavern Point Unit, would be conducted in the offshore area.	MMS will prepare an Environmental Assessment for the Cavern Point Unit.

¹ Geophysical surveys would be planned for the Fall to avoid interactions with commercial fishing seasons, marine mammal migrations, and weather. Year-to-year variability in the size and exact location of the commercial salmon fishery may allow surveying earlier than the Fall, but that is generally not known until after the salmon season opens in the Spring.



Lion Rock Unit

8 (g) Line

State Waters

TOSCO/Santa Maria

San Luis Obispo County

Santa Maria

Orcutt

Point Sal

Purissima Point Unit

Vandenberg Air Force Base

State Waters

TORCH/Lompoc

Santa Maria Unit

Surf

Lompoc

Point Pedernales Unit

Tranquillon Ridge Unit

Santa Barbara County

Point Arguello

Bonito Unit

Rocky Point Unit

HIDALGO

Point Arguello Unit

HERMOSA

Point Conception

State Waters

Sword Unit

8 (g) Line

195



Santa Maria Basin OCS Operations



October 8, 2004

from the desk of:
Robert E. Huguenard
V.P. - WBU Offshore

Peter Tweedt
Regional Manager
Pacific OCS Region
Minerals Management Service
770 Paseo Camarillo
Camarillo, California 93010-6064

Subject: Additional Clarification to Bonito Unit Suspension Request

Dear Mr. Tweedt:

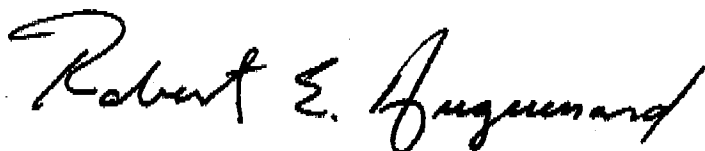
As follow up to our July 27, 2004 letter to you we are providing the following clarifications to our Bonito Unit Suspension Request.

In our previous correspondence the question as to whether we would be submitting an Exploration Plan or a Development and Production Plan (DPP) was left somewhat open. Since July we have had internal discussions and conversations with your staff concerning this issue and have determined that we will not be providing an Exploration Plan but rather we will go directly to a Development and Production Plan.

We have also had an opportunity to consider the implications to the time line set forth in our July 27, 2004 letter in light of the changes mentioned above. Please find attached a time line which includes the necessary estimated time for development of a modified DPP for both platforms Irene and Hidalgo and the permitting time which will be necessary to achieve a modification of our Santa Barbara County Final Development Plan for both of these facilities.

If you have any questions or comments, please contact me at (805) 934-8222.

Sincerely,

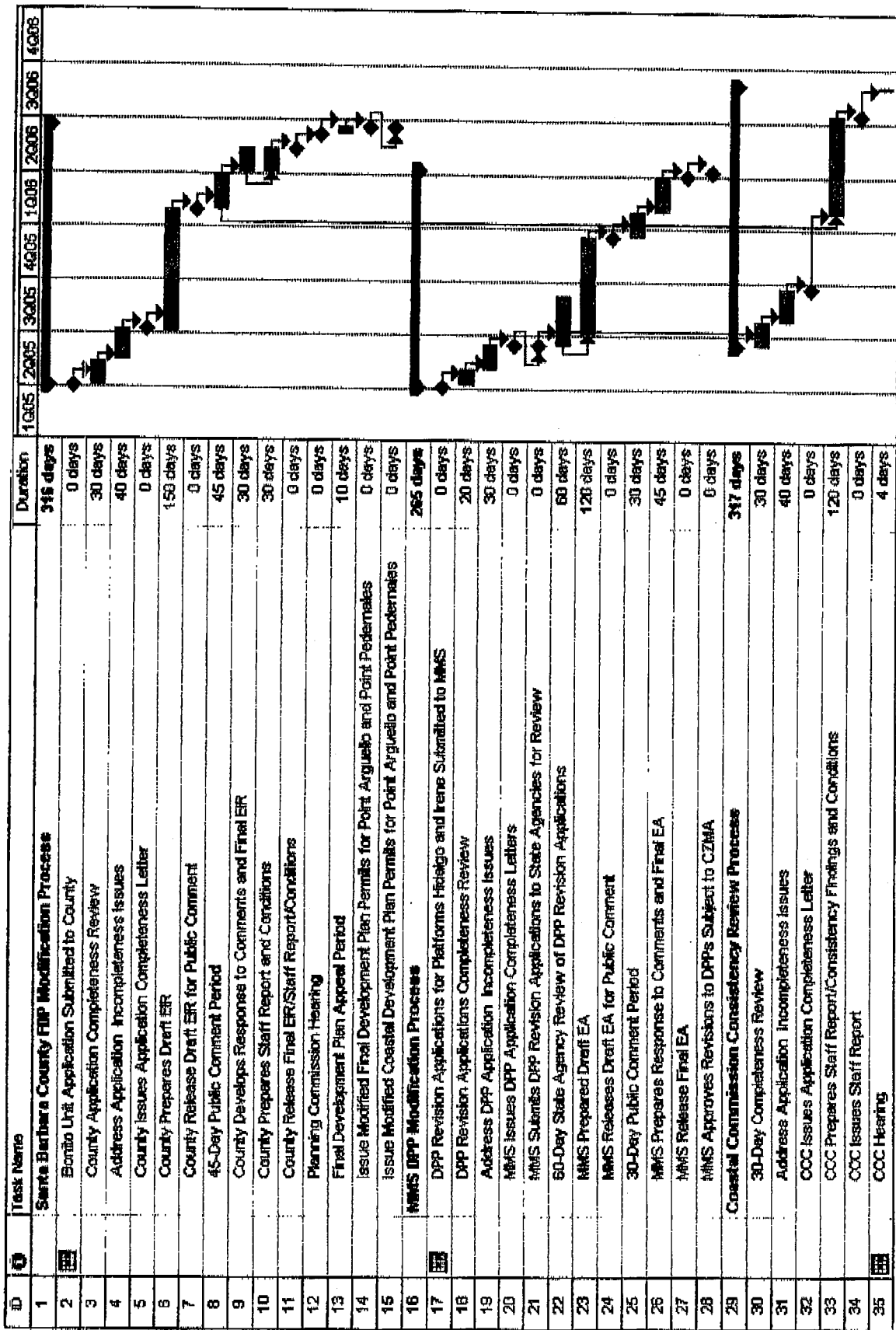


Robert E. Huguenard
Vice President - WBU Offshore

REH/as

Attachment

Estimated Permitting Schedule for the Bonito Unit





United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Pacific OCS Region
770 Paseo Camarillo
Camarillo, California 93010-6064

7100

November 1, 2004

CERTIFIED MAIL
Return Receipt Requested

Mr. Robert E. Huguenard
Vice President
Nuevo Energy Company
201 S. Broadway
Orcutt, California 93455

Re: Updated Suspension of Production Request
Bonito Unit
Offshore California

Dear Mr. Huguenard:

In your updated suspension request letter of April 20, 2004, you stated that Nuevo would drill a well in the Bonito Unit during the suspension period. We are writing to clarify that, should a suspension of production be granted, the suspension period will not include any drilling operations. Pursuant to 30 CFR 250.180, drilling is an activity that will hold the unit, and therefore, if drilling activity is occurring, a suspension is not needed. Of course, any such drilling can only occur pursuant to an approved plan and permit to drill, as provided for in the regulations.

If you have any questions in this regard, please contact Joan Barminski at (805) 389-7707 or Allan Shareghi at (805) 389-7704.

Sincerely,

Peter Tweedt
Regional Manager

